

State Theatre Company of South Australia

Financial report
for the year ended
30 June 2021



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To the Presiding Member State Theatre Company of South Australia

Opinion

I have audited the financial report of the State Theatre Company of South Australia for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the State Theatre Company of South Australia as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, the Executive Director and the Business Manager.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the State Theatre Company of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Executive Director and the Board for the financial report

The Executive Director is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Executive Director is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Executive Director is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the State Theatre Company for the financial year ended 30 June 2021.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Theatre Company of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director
- conclude on the appropriateness of the Executive Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Executive Director about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

29 September 2021



ABN 55 386 202 154

Financial Statements
for the year ended
30th June 2021

State Theatre Company of South Australia

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State Theatre Company of South Australia
Certification of the Financial Statements for the year ended 30 June 2021

We certify that the attached general purpose financial statements for the State Theatre Company of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the State Theatre Company of South Australia; and
- present a true and fair view of the financial position of the State Theatre Company of South Australia as at 30 June 2021 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the State Theatre Company of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



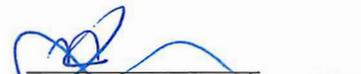
Joe Thorp
Presiding Member
State Theatre Company of
South Australia

Dated: 20/9/21



Julian Hobba
Executive Director
State Theatre Company of
South Australia

Dated: 28/9/21



Natalie Loveridge B.Comm CPA
Business Manager
State Theatre Company of
South Australia

Dated: 28/9/21

State Theatre Company of South Australia
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Commonwealth revenues	4.1	646	636
Box office	4.2	1,861	1,354
Co-producer, tour and royalty fees	4.3	170	425
Revenues from SA Government	4.4	2,603	2,642
Sponsorship and donations	4.5	661	750
Interest revenues	4.6	3	13
Other income	4.7	681	349
Total income		<u>6,625</u>	<u>6,169</u>
Expenses			
Staff benefits expenses	2.3	3,041	3,114
Supplies and services	3.1	2,698	3,180
Depreciation and amortisation	3.2	188	132
Other expenses	3.3	229	-
Interest expense on lease liability		7	4
Total expenses		<u>6,163</u>	<u>6,430</u>
Net result		<u>462</u>	<u>(261)</u>
Total comprehensive result		<u>462</u>	<u>(261)</u>

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the SA Government as owner.

State Theatre Company of South Australia
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	6.1	1,244	694
Receivables	6.2	309	3
Prepayments		70	72
Stock on hand		2	-
Total current assets		1,625	769
Non-current assets			
Other financial assets	6.3	784	783
Property, plant and equipment	5.1	503	647
Intangibles	5.4	-	229
Total non-current assets		1,287	1,659
Total assets		2,912	2,428
Current liabilities			
Payables	7.1	378	304
Financial liabilities	7.2	157	154
Contractual liabilities	7.3	193	188
Staff benefits	2.4	325	236
Provisions	7.4	6	4
Total current liabilities		1,059	886
Non-current liabilities			
Payables	7.1	14	13
Financial liabilities	7.2	277	434
Staff benefits	2.4	139	137
Provisions	7.4	15	12
Total non-current liabilities		445	596
Total liabilities		1,504	1,482
Net Assets		1,408	946
Equity			
Retained earnings		1,408	946
Total Equity		1,408	946

The accompanying notes form part of these financial statements.

The net result and total comprehensive result are attributable to the SA Government as owner.

State Theatre Company of South Australia
Statement of Changes In Equity
for the year ended 30 June 2021

Retained Earnings

	\$'000
Balance at 1 July 2019	1,207
Net result for 2019-20	(261)
Total comprehensive result for 2019-20	(261)
Balance at 30 June 2020	946
Net result for 2020-21	462
Total comprehensive result for 2020-21	462
Balance at 30 June 2021	<u>1,408</u>

The accompanying notes form part of these financial statements.

All changes in equity are attributable to the SA Government as owner.

State Theatre Company of South Australia
Statement of Cash Flows
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Cash inflows			
Receipts from SA Government		2,534	2,708
Receipts from Commonwealth		646	636
Box office and other receipts		3,216	2,746
Interest received		1	5
GST recovered from the ATO		-	186
Cash generated from operations		<u>6,397</u>	<u>6,281</u>
Cash outflows			
Staff benefits payments		(2,930)	(3,040)
Payment for supplies and services		(2,705)	(3,384)
Repayment of leases		(157)	(85)
GST paid to the ATO		(4)	-
Cash used in operations		<u>(5,796)</u>	<u>(6,509)</u>
Net cash provided by/(used in) operating activities		<u>601</u>	<u>(228)</u>
Cash flows from investing activities			
Cash outflows			
Purchase of plant and equipment		(44)	(74)
Cash used in investing activities		<u>(44)</u>	<u>(74)</u>
Net cash used in investing activities		<u>(44)</u>	<u>(74)</u>
Cash flows from financing activities			
Cash outflows			
Interest paid on lease liability		(7)	(4)
Cash used in financing activities		<u>(7)</u>	<u>(4)</u>
Net cash used in financing activities		<u>(7)</u>	<u>(4)</u>
Net increase/(decrease) in cash and cash equivalents		550	(306)
Cash and cash equivalents at the beginning of the period		694	1,000
Cash and cash equivalents at the end of the period	6.1	<u>1,244</u>	<u>694</u>

The accompanying notes form part of these financial statements.

1. About the State Theatre Company of South Australia

The State Theatre Company of South Australia (the Company) was established under the *State Theatre Company of South Australia Act 1972*. Our vision is to make, present and promote phenomenal, transformative, and inclusive theatre that enriches South Australian and Australian culture.

The Company has the following high level goals:

- Deliver programs of exceptional quality
- Reach a broad audience and ensure diversity of artists, audiences, programs and stories
- Enrich our support for the South Australian Arts community of theatre makers
- Strengthen relationships with industry, community, and the corporate sector and maintain a strong and sustainable infrastructure for the Company

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the purposes of preparing the financial statements, the Company is a not-for-profit entity. The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2 Impact of COVID-19 pandemic on the Company

The COVID-19 pandemic has impacted on the operations of the Company and the impacts are included under the relevant disclosure notes. The key impacts in 2020-21 were:

- the cancellation of two productions scheduled for the period from July 2020 to August 2020, as a result of venue closures due to public health directions;
- loss of income through a reduction in box office sales due to venue capacity restrictions caused by social distancing requirements;
- loss of income due to the closure of the Company's hire operations as a result of closures due to public health directions;
- additional expense incurred to increase venue capacity by extending performances beyond expected closing dates due to social distancing requirements; and
- additional expense incurred due to measures undertaken by the Company and venue suppliers to minimise the health risks of presenting live theatre to staff, ticketholders and the general public.

The Company has lodged an insurance claim with SAICORP for losses incurred during 2020 and 2021. An insurance recovery relating to the claim has been recognised in the Statement of Comprehensive Income.

2. Board and staff

2.1 Key management personnel

Key management personnel of the Company include the Minister, the Board of Governors, the Executive Director, and the Artistic Director who have responsibility for the strategic direction and management of the Company.

Total compensation for the board's key management personnel was \$278,000 (\$326,000).

Salaries and other benefits the Minister receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

State Theatre Company of South Australia
Financial Year Ended 30 June 2021
Notes to and forming part of the Financial Statements

Transactions with key management personnel and other related parties

A Board member's spouse is a Director of Evans+Ayers Pty Ltd. The Company entered into an agreement with Evans+Ayers Pty Ltd for taxation advice provided by a member of the firm. Amounts paid as legal fees equal \$2,000 (Nil).

2.2. Board members

Members during the financial year were:

Mr Joe Thorp	Mr David O'Loughlin
Ms Claudine Law	Ms Amanda Anderson
Ms Jodie Newton	Ms Alexandra Dimos (appointed 2 July 2020)
Ms Diané Ranck	Mr Gavin Wanganeen (appointed 25 March 2021)

Board fees were not paid to members in 2020-21 (Nil).

2.3 Staff benefits expense

	2021 \$'000	2020 \$'000
Salaries and wages	2,399	2,469
Long Service Leave	45	52
Annual Leave	179	175
Staff on-costs - superannuation	248	248
Staff on-costs - other	170	170
Total staff benefits expenses	3,041	3,114

The superannuation on-cost charge represents the Company's contributions to various superannuation plans in respect of current services of current staff.

Remuneration of staff

	2021 No	2020 No
The number of staff whose remuneration received or receivable falls within the following bands:		
\$154,001 to \$157,000	-	-
Total number of staff	-	-

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation, fringe benefit tax and any other salary sacrifice benefits. The total remuneration received by those staff was \$0 (Nil).

2.4. Staff benefits liability

	2021 \$'000	2020 \$'000
Current		
Annual and Other Leave	152	108
Long Service Leave	127	99
Accrued salaries and wages	46	29
	325	236
Non-current		
Long Service Leave	139	137
Total staff benefits liability	464	373

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the Skills and Experience Retention Leave liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

State Theatre Company of South Australia
Financial Year Ended 30 June 2021
Notes to and forming part of the Financial Statements

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 10.1.

3. Expenses

Staff benefit expenses are disclosed in note 2.3.

3.1 Supplies and services

	2021 \$'000	2020 \$'000
Promotion and sponsorship expenses	474	764
Contractors fees	516	503
Consultants fees	67	-
Property rental costs	134	217
Scenery, sound, lighting and special effects	245	175
Travel and accommodation	55	169
Royalties	174	171
Communications	21	30
Costume and props	48	37
Other production costs	77	107
Administration expenses	206	251
Theatre hire and charges	445	559
Ticket agency charges	208	169
Audit fees	28	28
Total supplies and services expense	2,698	3,180

Expenses for productions are recognised when a production has concluded. Production costs for future productions and productions in progress at reporting date are recorded as prepayments.

Resources provided free of charge are recorded at fair value, in the expense line items to which they relate.

Consultants

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	2021 No.	2021 \$'000	2020 No.	2020 \$'000
Below \$10,000	-	-	-	-
Above \$10,000	1	67	-	-
Total paid/payable to the consultants engaged	1	67	-	-

3.2 Depreciation and amortisation

	2021 \$'000	2020 \$'000
Right-of-use accommodation	157	85
Plant and equipment	31	30
Intangible assets	-	17
Total depreciation and amortisation	188	132

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives, amortisation periods and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

State Theatre Company of South Australia
Financial Year Ended 30 June 2021
Notes to and forming part of the Financial Statements

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of Assets	Useful life (years)
Motor Vehicles	5
Equipment	3-10
Computer Equipment	3-7
Leasehold Improvements	3
Software	3-5
Right-of-use accommodation	Lease term

3.3 Other expenses	2021 \$'000	2020 \$'000
Derecognition of software asset	<u>229</u>	<u>-</u>
Total other expense	<u>229</u>	<u>-</u>

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Company assessed the impact of the agenda decision on its current accounting policy and voluntarily derecognised its customer management system database (Tessitura) as an asset on 1 July 2020. This intangible software was previously capitalised in 2019-20. Refer to Note 5.4 for the derecognition of the CRM intangible asset.

4. Income

4.1 Commonwealth Revenue	2021 \$'000	2020 \$'000
Commonwealth revenues	<u>646</u>	<u>636</u>
Total Commonwealth revenues	<u>646</u>	<u>636</u>

A Multipartite Funding Agreement between the State Government, Australian Government and the Company provides operating grants for the Company. The funding arrangements for these Governments are intended to cover the different operating periods. In particular:

- Australian Government operating grants received in 2020-21 were to contribute to operations for the 2021 calendar year.
 - State Government operating grants received in 2020-21 were to contribute to operations for the 2020-21 financial year.
- Refer to Note 4.4 for the recognition of this base funding.

Commonwealth revenues are recognised on receipt.

4.2 Box office	2021 \$'000	2020 \$'000
Box office	<u>1,861</u>	<u>1,354</u>
Total box office	<u>1,861</u>	<u>1,354</u>

Box office revenues for productions are recognised when a production has concluded. Ticket sales for future productions and productions in progress at reporting date are recorded as contractual liabilities in line with the *Live Performance Australia Ticketing Code of Practice*.

There were six productions staged during 2020-21 (five productions staged in 2019-20).

4.3 Co-producer, tour and royalty fees	2021 \$'000	2020 \$'000
Co-producer, tour and royalty fees	<u>170</u>	<u>425</u>
Total co-producer, tour and royalty fees	<u>170</u>	<u>425</u>

Co-production, tour and royalty fee revenues for productions are recognised when a production or tour has concluded. Fees for future productions and productions in progress at reporting date are recorded as contractual liabilities.

State Theatre Company of South Australia
Financial Year Ended 30 June 2021
Notes to and forming part of the Financial Statements

4.4 Revenues from SA Government	2021	2020
	\$'000	\$'000
Base funding	2,472	2,485
Tied grants funding	131	157
Total revenues from SA Government	<u>2,603</u>	<u>2,642</u>

Base funding is recognised upon receipt under AASB 1058. Tied grants funding is generally recognised under enforceable agreements when sufficient and specific performance obligations are met under AASB 15.

4.5 Sponsorship and donations	2021	2020
	\$'000	\$'000
Cash	549	447
In Kind	112	303
Total sponsorship and donations	<u>661</u>	<u>750</u>

Sponsorships are provided in cash and through resources provided free of charge. Sponsorship income is recognised when service obligations are met. Sponsorship received in advance of benefits paid is recorded as contractual liabilities.

Resources received free of charge are recorded at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been provided.

4.6 Interest	2021	2020
	\$'000	\$'000
Interest from SA Government	2	6
Interest - Reserves Incentive Funding Scheme (SAFA)	1	7
Total interest	<u>3</u>	<u>13</u>

4.7 Other income	2021	2020
	\$'000	\$'000
Prop Shop income	58	47
Company Service Fees	330	272
Insurance Recoveries	263	-
Miscellaneous revenue	30	30
Total other income	<u>681</u>	<u>349</u>

5. Non-financial assets

5.1 Property, plant and equipment by asset class

	2021	2020
	\$'000	\$'000
Motor Vehicle - at cost	27	27
Accumulated depreciation	(27)	(27)
Total Motor Vehicle	<u>-</u>	<u>-</u>
Equipment - at cost	225	199
Accumulated depreciation	(172)	(158)
Total Equipment	<u>53</u>	<u>41</u>
Computer Equipment - at cost	131	134
Accumulated depreciation	(110)	(116)
Total Computer Equipment	<u>21</u>	<u>18</u>
Leasehold Improvements - at cost	4	5
Accumulated depreciation	(2)	(1)
Total Leasehold Improvements	<u>2</u>	<u>4</u>
Right-of-use accommodation	669	669
Accumulated depreciation	(242)	(85)
Total right-of-use accommodation	<u>427</u>	<u>584</u>
Total property, plant and equipment	<u>503</u>	<u>647</u>

5.2 Property, plant and equipment owned by the Company

Acquisition and recognition

Plant and equipment is initially recorded at fair value. Detail about the Company's approach to fair value is set out in Note 10.2.

All plant and equipment with a value equal to or in excess of \$1,000 are capitalised, otherwise it is expensed.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity.

Reconciliation 2020-21

	Equipment \$'000	Computer Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Carrying amount at the beginning of the period	41	18	4	63
Additions	31	13	-	44
Depreciation expense	(19)	(10)	(2)	(31)
Carrying amount at the end of the period	<u>53</u>	<u>21</u>	<u>2</u>	<u>76</u>

5.3 Property, plant and equipment leased by the Company

Right-of-use accommodation leased by the Company is recorded at cost. Additions to leased property, plant and equipment during 2020-21 were \$0 (\$669,000).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$1,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 3.1.

The Company leases facilities for its production facilities from Port Road Development Pty Ltd, which is due to expire in December 2023. There is no right of renewal and rent is paid in advance.

The Company leases the first floor of the Fowlers Building, Lion Arts Centre from the Minister for the Arts, which is due to expire in October 2021. The lease is non-cancellable and has a right to renewal. Rent is paid in advance.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Company's maturity analysis of its lease liabilities is disclosed in note 10.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 3. Cash outflows related to leases are disclosed in note 8.1.

Impairment

Accommodation leased by the Company has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4 Intangibles

	2021 \$'000	2020 \$'000
Purchased computer software	28	28
Accumulated amortisation	(28)	(36)
Internally developed software	-	237
Total computer software	<u>-</u>	<u>229</u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of software is capitalised only when the expenditure meets the definition and recognition criteria.

State Theatre Company of South Australia
Financial Year Ended 30 June 2021
Notes to and forming part of the Financial Statements

Reconciliation 2020-21	Internally Developed Software \$'000	Total \$'000
Carrying amount at the beginning of the period	229	229
Derecognition of asset*	(229)	(229)
Carrying amount at the end of the period	-	-

*The internally developed computer software derecognised related to the Company's customer relationship management database on 1 July 2020. This intangible software was previously capitalised in 2019-20. Refer to Note 3.3 for derecognition expense.

6. Financial assets

6.1 Cash and cash equivalents	2021 \$'000	2020 \$'000
Short Term Deposits	624	532
Cash at Bank and on hand	620	162
Total cash and cash equivalents	1,244	694

Short term deposits include deposits at call with the South Australian Government Financing Authority (SAFA) and are recorded at cost. Short term deposits are made for varying periods between one day and three months. The deposits that are lodged with SAFA at the respective short term deposit rates.

Cash at Bank and on hand includes deposits with Bank SA and amounts held on Company premises.

6.2 Receivables	2021 \$'000	2020 \$'000
Trade receivables from government entities	22	-
Trade receivables from non-government entities	4	3
Insurance recoverable	263	-
GST input tax recoverable	20	-
Less impairment loss on receivables	-	-
Total current receivables	309	3

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Impairment of receivables	2021 \$'000	2020 \$'000
Carrying amount at the beginning of the period	-	1
Amounts recovered during the year	-	(1)
Increase in allowance recognised in profit or loss	-	-
Carrying amount at the end of the period	-	-

6.3 Other financial assets

The Company entered into an agreement, known as the Reserves Incentive Funding Scheme Agreement, with the Australia Council and Arts SA during 2003-04. The Scheme is designed to encourage and assist the Major Performing Arts companies to strengthen their Statement of Financial Position by building reserves to a level that is sufficient to underpin their financial health.

The funds received under the Agreement must be placed in escrow and can only be released under certain circumstances, which are set out in the Agreement, which includes the Company making a formal submission, signed by the Board Chair, to Arts South Australia and the Australia Council.

Funds received under the Scheme have not been used to secure any liabilities of the Company.

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These funds are long term deposits which are held with the South Australian Government Financing Authority and are recorded at cost. The balance of the fund as at 30 June 2021 was \$784,000 (\$783,000).

7. Liabilities

Staff benefit liabilities are disclosed in note 2.4.

7.1 Payables	2021	2020
	\$'000	\$'000
Current		
Creditors	184	144
GST payable	-	66
Accruals	150	64
Staff Benefit On-costs	<u>44</u>	<u>30</u>
	<u>378</u>	<u>304</u>
Non-current		
Staff Benefit On-costs	<u>14</u>	<u>13</u>
	<u>14</u>	<u>13</u>
Total payables	<u>392</u>	<u>317</u>

Payables and accruals are raised for all amounts owing but unpaid. Creditors are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

The net amount of GST recoverable from the ATO is included in payables.

Staff benefit on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave and are settled when the respective employee benefits that they relate to is discharged.

The Company makes contributions to several externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

7.2 Financial liabilities	2021	2020
	\$'000	\$'000
Current		
Lease liabilities	<u>157</u>	<u>154</u>
Total current financial liabilities	<u>157</u>	<u>154</u>
Non-current		
Lease liabilities	<u>277</u>	<u>434</u>
Total non-current financial liabilities	<u>277</u>	<u>434</u>
Total financial liabilities	<u>434</u>	<u>588</u>

The Company measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above.

7.3 Contractual liabilities	2021	2020
	\$'000	\$'000
Current		
Box office revenue	13	2
Tour, co-producer and production revenue	56	50
Sponsorship revenue	71	15
Grant revenue	<u>53</u>	<u>121</u>
	<u>193</u>	<u>188</u>

Refer to Notes 4.2 to 4.5 for further disclosures about income recognition criteria.

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7.4 Provisions	2021	2020
	\$'000	\$'000
Current		
Provision for workers compensation	<u>6</u>	<u>4</u>
	<u>6</u>	<u>4</u>
Non-current		
Provision for workers compensation	<u>15</u>	<u>12</u>
	<u>15</u>	<u>12</u>
Total provisions	<u><u>21</u></u>	<u><u>16</u></u>
Movement in provision	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	16	16
Change in provision	8	4
Less: Payments	<u>(3)</u>	<u>(4)</u>
Carrying amount at the end of the period	<u><u>21</u></u>	<u><u>16</u></u>

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Company is responsible for the payment of workers compensation claims.

8. Other disclosures

8.1 Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2021	2020
	\$'000	\$'000
Leases		
Total cash outflow for leases	<u>170</u>	<u>88</u>
	<u>170</u>	<u>88</u>

9. Outlook

9.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Company is not aware of any contingent assets or liabilities.

9.2 COVID-19 pandemic outlook for the Company

The COVID-19 pandemic will continue to impact the operations of the Company in 2021-22. The key expected impacts are:

- cancellation of a production scheduled for July 2021 as a result of venue closures due to public health directions and the inability of interstate based crew to travel due to border closures;
- loss of income through a reduction in box office sales due to venue capacity restrictions caused by ongoing lockdowns and social distancing requirements;
- loss of income through a reduction in box office sales due to worsened economic conditions caused by the COVID-19 pandemic; and
- additional expense incurred due to measures undertaken by the Company and venue suppliers to minimise the health risks of presenting live theatre to staff, ticketholders and the general public.

9.3 Events after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

10. Measurement and risk

10.1 Long service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2020 (0.50%) to 2021 (1.00%). This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The net financial impact of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$8,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The unconditional portion of the long service leave provision is classified as current as the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

10.2 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

10.3. Financial instruments

Financial risk management

Risk management is managed by the Company's Board and senior management. Risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Company's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Company uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

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The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Company's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Company and a failure to make contractual payments for a period of greater than 90 days past due.

The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Cash investments

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The Company measures all financial instruments at amortised cost.

Maturity analysis of financial instruments

Category	Note	2021	2021 Contractual Maturities*		
		Carrying/Fair Value \$'000	Within 1 year \$'000	1-5 Years \$'000	More than 5 Years \$'000
Financial Assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	1,244	n/a	n/a	n/a
Financial assets at amortised cost					
Receivables**	6.2	289	n/a	n/a	n/a
Other financial assets	6.3	784	n/a	n/a	n/a
Total financial assets		2,317			
Financial Liabilities					
Financial liabilities at amortised cost					
Payables**	7.1	245	245	-	-
Lease liabilities	7.2	442	162	277	3
Total financial liabilities		687	407	277	3

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Category		2020 Carrying/Fair Value \$'000	2020 Contractual Maturities*		
			Within 1 year \$'000	1-5 Years \$'000	More than 5 Years \$'000
Financial Assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	694	n/a	n/a	n/a
Financial assets at amortised cost					
Receivables**	6.2	3	n/a	n/a	n/a
Other financial assets	6.3	783	n/a	n/a	n/a
Total financial assets		1,480			
Financial Liabilities					
Financial liabilities at amortised cost					
Payables**	7.1	137	137	-	-
Lease liabilities	7.2	603	161	426	16
Total financial liabilities		740	298	426	16

*Maturities analysis is presented using the undiscounted cash flows and therefore may not total to equal the carrying amount/fair value of the financial instrument.

** Total amounts disclosed here exclude statutory amounts. Receivables do not include prepayments as these are not financial instruments.

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore, in these situations, the disclosure requirements of AASB 7 will not apply. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.